

BUDGET LETTER

SUBJECT: ACCOUNTS RECEIVABLE COLLECTION PROCEDURES	NUMBER: 06-07
REFERENCES: GOVERNMENT CODE SECTIONS 13400-13407, 16580-16586; STATE ADMINISTRATIVE MANUAL SECTION 8776.6	DATE ISSUED: April 25, 2006 SUPERSEDES:

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) reminds state departments of: (1) the state's accounts receivable collection procedures, and (2) the provisions of the Accounts Receivable Management Act, Government Code (GC) Sections 16580-16586.

Departments are responsible for the timely collection of amounts due to the State of California. Timely collections maximize interest earnings and reduce the cost of borrowing. Therefore, departments must adhere to the collection procedures for nonemployee accounts receivables, as detailed in the State Administrative Manual (SAM) Section 8776.6. Departments will select the collection actions that are likely to generate the highest return.

If collection is not successful, departments will prepare a cost/benefit analysis of additional collection actions. Departments should initiate one or more of the following actions as described in SAM Section 8776.6 or as provided for in GC Section 16584:

- **Offset Procedures**
The interception and collection of amounts owed to the debtor by other state departments (e.g., Franchise Tax Board, Board of Equalization, Employment Development Department, Lottery Commission, or the State Controller's Office).
- **Court Settlements**
File action in small claims courts.
- **Collection Agencies**
Sign a contract with another state department that has established an effective collections unit or with an outside collection agency.
- **Sale of Accounts Receivables**
Sell accounts receivables to private persons or entities.

Compliance

In accordance with the Financial Integrity and State Manager's Accountability Act of 1983 (GC Sections 13400-13407), state agency heads are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. Accordingly, the head of each department must incorporate effective accounts receivable procedures that will ensure timely collections.

Questions regarding this BL may be directed to the Department of Finance, Fiscal Systems and Consulting Unit, at (916) 324-0385, CALNET 454-0385, or e-mail <mailto:fscuhotline@dof.ca.gov>.

/s/ Stephen W. Kessler

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